Statement by the
American Federation of State, County and Municipal Employees (AFSCME)
on
The Fierce Urgency of Now – Social Security 2100: A Sacred Trust
for the
Subcommittee on Social Security
Committee on Ways and Means
U.S. House of Representatives
December 7, 2021

The American Federation of State, County and Municipal Employees (AFSCME) submits the following statement for the record for the December 7, 2021 hearing on "The Fierce Urgency of Now – Social Security 2100: A Sacred Trust" before the Subcommittee on Social Security of the House Ways and Means Committee.

Social Security benefits are vitally important to seniors – both those currently retired and those who will retire in the future. It is also a lifeline of support for children, disabled workers and aged widows and widowers. About 6.1 million children under age 18 (or 8 percent of all children in our country) live in families that receive income from Social Security. Roughly one-quarter of 20-year-old workers will become disabled and unable to work before they reach retirement age. Social Security's disability benefits offer them and their families the financial stability they need when a disabling long-term illness or injury strikes. Whether the monthly Social Security check is for retirement, disability benefits or a dependent survivor benefit, Social Security is about dignity for those who have spent their life working or are no longer able to work.

This program is indispensable for Americans of all ages; however, we need to acknowledge that Social Security's benefits are very modest, often inadequate and frequently unjust to some state and local government workers. In January 2021, the average benefit for the three principal groups of Social Security beneficiaries – retired workers, disabled workers and aged widows and widowers – was only about $1,503.55 a month, or just over $18,000 a year. That amount is not even 40 percent over the federal poverty level. It is well below the minimum income necessary to enable a secure but basic retirement for a single retiree in good health and with no mortgage payments. We must also recognize that it has been a half a century since Congress enhanced Social Security benefits. It's time for Congress to act.

AFSCME urges Congress to enact the Social Security 2100: A Sacred Trust (H.R. 5723) because it would augment and strengthen Social Security benefits, keeping more retirees and other beneficiaries out of poverty.

Across-the-board benefit increases for all beneficiaries: The legislation would provide a $30 a month increase for all beneficiaries in 2022 through 2026. This increase is roughly a 2 percent bump in benefits for the average retiree.

Adjusts the minimum benefit for long-serving low-wage workers: After a lifetime of working and paying into Social Security for many years, those benefits should keep low-wage workers out of poverty. The legislation would update the special minimum benefit to ensure that after 30 years of work a retiree at full retirement age would receive a monthly benefit that is at least 125 percent of the poverty level. This would help individuals who first become eligible for benefits during 2022 through 2026.

Improves the annual Cost-of-Living Adjustment (COLA): Congress created the annual COLA to safeguard the purchasing power of beneficiaries by adjusting their benefits to keep pace with inflation. The current COLA is based upon the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W). This measure typically minimizes the real rising costs that seniors feel in their wallets, especially for out-of-pocket health care costs. Over the years an inadequate COLA is compounded, eroding the value of a retiree's monthly benefit. The legislation would set the COLA to be the consumer price index for the elderly (CPI-E). In general, the CPI-E tends to be a higher rate of inflation that the CPI-W. Because in rare instances the CPI-W is higher than the CPI-E rate of inflation, we urge the committee to set the COLA at the higher of either the CPI-E or CPI-W.

Increases benefits for older beneficiaries. People aged 80 and older have a higher poverty rate (11 percent) than those aged 65-69 (8 percent). Women aged 80 and older have the highest poverty rate (nearly 14 percent) among older women and men in all ages. The Social Security 2100 Act provides an across-the-board benefit increase for the oldest of old and other long-term beneficiaries which will keep more older beneficiaries out of poverty. The roughly 5 percent benefit increase for the lifelong average earner is phased in during the 16th through 20th year after eligibility. This would be effective in 2022 through 2026 for beneficiaries who have been receiving Social Security benefits for more than 15 years.

AFSCME urges Congress to enact the Social Security 2100: A Sacred Trust because it would fully repeal the Government Pension Offset (GPO) and the Windfall Elimination Provision (WEP) from 2022 through 2026.

AFSCME members include correction officers and parole officers in Connecticut, librarians, maintenance and clerical staff and campus police at Massachusetts Community Colleges, nursing staff, respiratory therapists and others on the front lines at University of Massachusetts Medical School and UMass-Memorial hospital, social service workers, sanitation workers, engineers, snowplow drivers, park rangers and other state workers in Nevada, and cafeteria workers, custodial and maintenance staff, school bus drivers in Ohio. These workers live in states that do not participate in Social Security for their public employees. In addition, most public employees in Alaska, Colorado, Louisiana, Maine, and large numbers of local government employees in California, Illinois and Texas are not in Social Security. Nationwide, more than one in four state and local government employees are not covered by Social Security. Public employers in these states operate their own pension plans for their employees and employees contribute a significant portion of their wages to these pensions. Public sector retires who are not covered by Social Security are found in all 50 states.

After working hard their entire lives, contributing part of their wages to the state public employee retirement system and playing by the rules, these public employees should look forward to retiring with dignity. But the GPO and WEP provisions in current law unfairly reduces their earned Socials Security benefits. More than 2 million retirees saw their earned Social Security benefits cut because of GPO and WEP.

It is urgent that Congress act now to repeal both GPO and WEP because with data exchanges, the Social Security Administration (SSA) will soon have 35 years of W-2 earnings data for all covered workers on file. With this data, SSA will be able to more accurately identify individuals who are receiving pensions from noncovered employment, but whose benefits are not yet being reduced. As SSA begins to use this data, it is likely that more individuals will experience the harsh effects of seeing their Social Security benefits shrink because of these unfair laws.

In December 2020, nearly 3 out of 4 beneficiaries hit by GPO lost all their Social Security benefit because of GPO.

The GPO offset requires a cut in the Social Security spousal and widow(er)'s benefit received by public employees who earn a pension from noncovered employment. The cut is equal to two-thirds of one's public pension and typically reduces a Social Security survivor's benefit to zero dollars. **GPO cuts the Social Security spousal and widow(er)'s benefit of roughly 1 percent of all Social Security beneficiaries.**

State	Number of beneficiaries hit with a GPO cut	Number of beneficiaries who lost all their Social Security benefit because of the GPO cut
Alabama	4,547	3,419
California	101,789	82,503
Connecticut	9,675	8,464
Illinois	48,046	40,353
Kansas	2,323	1,623
Massachusetts	40,247	28,663
New Jersey	4,200	3,468
New York	6,961	5,585
Nevada	11,221	8,611
Ohio	100,185	61,735
Oklahoma	3,902	2,677
Oregon	4,835	3,569
South Carolina	5,487	4,131
Texas	93,776	53,861
Wisconsin	3,497	2,807

The GPO cut to benefits is demoralizing and devastating to the retirement security of these public retirees and it also disproportionately impacts low-wage workers, particularly women. About 83 percent of public pensioners penalized by GPO are women.

Barbara Ward, who is 70 years old, is typical of a worker whose retirement plans and financial security is endangered by GPO. For 40 years, she has driven special needs students in her school bus in Ohio. The only time Barb ever missed work was to bury her father and then her husband and to recover from breast cancer. Barb makes $22,000 per year. Her taxable retirement benefit will be about $2,000 per month. She should also receive a Social Security survivor benefit of $1,800. But because of the GPO, she will lose two-thirds, or $1,340, of that. Barb's husband, Ron, paid into Social Security for decades. He died of a brain tumor less than a year after he retired and received only a few Social Security checks. But Ron thought he had left Barb with a benefit that would allow her to live with dignity in her retirement. Barb wants to retire, but if her survivor benefit is slashed to $460 per month, she will be forced to remain at the wheel of her school bus. Barb shouldn't be penalized because of her decades of work in our public schools.

Fully repealing the GPO cuts to spousal and widow(er) Social Security benefits, even for five years, would help give Barb and other public workers the retirement security they deserve because their spouse earned a Social Security benefit. We support fully repealing GPO permanently to help more public pensioners from losing benefits their spouses earned for them.

WEP cuts the earned Social Security benefit of about 1.9 million retired federal, state and local government employees.

Like the GPO, the WEP also affects individuals receiving public pensions from work not covered by Social Security. When the public pensioner has also worked in a Social Security-covered job for at least a decade, the WEP creates a public pension offset that can greatly reduce that person's earned Social Security benefit. Under the WEP, part of a retiree's public pension (from noncovered employment) is considered equivalent to a Social Security benefit. Because Social Security does not allow retirees to collect two full benefits, under WEP these retirees earned Social Security benefits are calculated with modified formula. The WEP formula can cut a worker's standard monthly Social Security benefit by more than half. The maximum reduction in 2021 is $498.0 a month.

Some 1.9 million retired federal, state, and local government employees are currently affected by the WEP, and that number grows each year. Nationwide, they represent 3 percent of all Social Security beneficiaries but in some states, they represent a larger share of beneficiaries. For example, in Massachusetts WEP harmed beneficiaries represent 6.4 percent of the state's residents receiving Social Security checks. In Nevada, they represent 6.3 percent and in Ohio, 6.4 percent.

Theoretically, the WEP was created by Congress to distinguish between low-wage workers and those who only *appear* to have had low-wage careers. The second category comprises workers who qualify for good pensions from primary jobs in the public sector that pay them well but do not cover them under Social Security. These workers also have secondary jobs in the private sector, at low wages or short hours, but with Social Security coverage. The problem comes when the Social Security benefit formula is applied to their covered earnings, which makes them appear to be low-wage earners. That matters because the Social Security benefit formula is designed to replace more income of workers with low earnings throughout their work lives.

WEP arbitrarily casts all public pensioners who also have covered earnings as high-wage earners. This creates inequity by treating low-income workers more harshly. For individuals with lower covered earnings, WEP cuts their benefits by a larger percentage. **Some 214,300**

beneficiaries harmed by WEP in December 2020 had a noncovered public pension of less than $1,000 a month and an earned Social Security benefit of less than $900, according to the Congressional Research Service. These WEP-impacted individuals were living at just above 185 percent of the poverty level or less.

WEP also creates a totally indiscriminate penalty that is especially unfair because these workers pay the same percentage in payroll contributions on their Social Security-covered earnings as all others. Their Social Security benefits are earned.

We support that the Social Security 2100 Act would end the injustice of WEP by repealing the WEP cuts, albeit for five years. It restores to all retirees their fully earned Social Security benefits. We support making this full repeal of WEP permanent.

AFSCME urges Congress to enact the Social Security 2100 because it would help children of disabled, deceased or retired workers and those who live with grandparents.

When a parent is retired, disabled and no longer able to work, or passes away when a child is young, Social Security is there to help the family support that child. Currently child benefits end at age 18, or age 19 if a student is a high school student. But prior to 1981, full-time students under age 22 were able to receive benefits.

AFSCME retiree Sue Conard, from Wisconsin, knows how important Social Security benefits are for children. Her dad died when she was 4 years old. Her family would never have made it without that monthly Social Security check for her mother and her. Because of the dependent survivor benefit, Sue was able to go to college and get her nursing degree and help make a difference in her community. Upon hearing that the Social Security 2100 legislation would extend those benefits to age 26, Sue knew that this improvement would be a game changer for many young people who had recently lost a parent due to COVID. It might mean they could go on to graduate school or take the time they needed to finish college. As Sue says: "Social Security isn't just for us older folks – it's for everyone."

The legislation also modernizes Social Security to reflect the realities of many families. When parents are deceased or unable to care for their children, grandparents or other relatives who are Social Security beneficiaries step in to take care of the children. Those children live with and depend on those relatives. Current law restricts dependent benefits to a very narrow set of circumstances. By making dependent benefits more accessible to these children Congress is giving them and their families the support they need and deserve.

AFSCME supports how the Social Security 2100 strengthens the trust fund.

We support that the legislation improves the financial security of Social Security by extending the trust fund reserves another four years and closing more than half of the program's long-term shortfall. Applying Social Security's federal payroll tax to earnings above $400,000 ensures that millionaires and billionaires pay their fair share and upholds President Biden's promise not to tax individuals earning $400,000 or less.

Summary

Social Security has been a successful program helping workers to earn a benefit to allow them to retire with dignity, provide for their spouse and dependent children when they die and to have insurance in case a disabling long-term illness or injury strikes before they retire. But these benefits are modest and often insufficient. The COLA does not accurately reflect the health care costs retirees face and over time a scant COLA erodes the purchasing power of monthly benefit checks. The GPO and WEP are arbitrary and unfairly hurt public pensioners, denying them Social Security benefits their spouse or they themselves earned through their Social Security payroll deductions. The Social Security 2100: A Sacred Trust greatly strengthens Social Security benefits by addressing these weaknesses, in particular, by fully repealing GPO and WEP for five years. These changes are important, long-awaited and will provide indispensable financial security to millions of Social Security beneficiaries who are struggling to make ends meet.

We urge Congress to take this much needed first step to improve Social Security benefits, especially by fully repealing GPO and WEP. We urge Congress to pass the Social Security 2100: A Sacred Trust and we stand ready to work with you to ensure that these improvements to Social Security do not lapse and are extended to help more retirees.